

CITY OF OSAGE
INDEPENDENT AUDITOR'S REPORTS
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Primary Government Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 10-11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12-13
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14
Notes to Financial Statements	15-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	28-29
Notes to Other Information – Budgetary Reporting	30
Schedule of the City's Proportionate Share of Net Pension Liability	31
Schedule of the City's Contributions	32-33
Notes to Other Information – Pension Liability	34-35
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 36-38
Schedule of Indebtedness	2 39-40
Bond and Note Maturities	3 41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 42-43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	44-45
Schedule of Findings	46-49

City of Osage

Officials		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Cooper	Mayor	Jan 2016
Rick Bodensteiner	Council Member	Jan 2016
Larry Mork	Council Member	Jan 2018
Brian Adams	Council Member	Jan 2016
Kurt Elliott	Council Member	Jan 2016
Judy Voaklander	Council Member	Jan 2016
Ross Grafft	Council Member	Jan 2016
Cathy Penney	Clerk	Jan 2016
Bev Schuler	Treasurer	Jan 2016
Brian McPhail	Attorney	Jan 2016
Jerry Dunlay	Director of Public Works	Jan 2016
Don Fox	Park Commissioner	Jan 2020
John Michels	Park Commissioner	Jan 2016
Angela Nasstrom	Park Commissioner	Jan 2018
Johanna Anderson	Library Trustee	Jul 2019
Pam Masmar	Library Trustee	Jul 2020
Lynn Haakenson	Library Trustee	Jul 2020
Mary Ann Carmody	Library Trustee	Jul 2017
Brad Weber	Library Trustee	Jul 2017
Dennis Johnson	Library Trustee	Jul 2018
Jerry Brandau	Library Trustee	Jul 2018

City of Osage

MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

WWW.OSAGECPA.COM

625 MAIN ST., OSAGE, IA 50461

322 MAIN ST., NASHUA, IA 50658

802B WOODLAND AVE, RICEVILLE, IA 50466

P. 641-732-5841

P. 641-435-4615

P. 641-985-2621

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, City of Osage adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

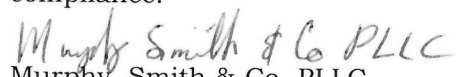
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osage's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 20 through 22 and 31 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2015 on our consideration of the City of Osage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Osage's internal control over financial reporting and compliance.


Murphy, Smith & Co. PLLC
Certified Public Accountants
Osage, Iowa
October 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Osage provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.6%, or approximately \$99,000, from fiscal 2014 to fiscal 2015. Charges for service in FY 2014 included \$412,789 in Special Assessments payments for the 2014 Street Paving Project compared to \$82,647 in assessment payments in FY 2015.
- Disbursements of the City's governmental activities decreased 21.9%, or approximately \$889,000, in fiscal 2015 from fiscal 2014. Debt service disbursements decreased approximately \$120,000, and Capital project disbursements decreased \$908,000.
- The City's total cash basis net position increased 27.86%, or approximately \$1,161,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$521,000 and the cash basis net position of the business type activities increased approximately \$640,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basis financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the primary government financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the Net Pension Liability & Related Contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and solid waste collections. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds, considered to be major funds of the City.

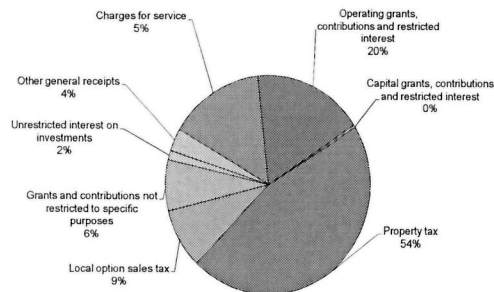
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

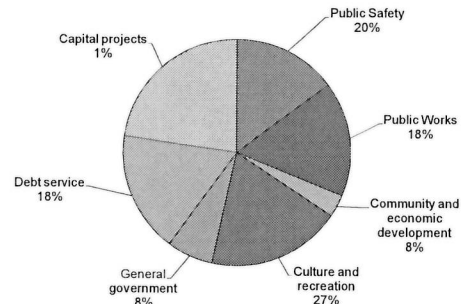
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2.800 million to \$3.321 million. The analysis that follows focuses on changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 202	\$ 563
Operating grants, contributions and restricted interest	726	662
Capital grants, contributions and restricted interest	4	14
General receipts:		
Property tax	1,973	1,742
Local option sales tax	341	331
Grants and contributions not restricted to specific purposes	235	286
Unrestricted interest on investments	57	53
Other general receipts	140	126
Total receipts	<u>3,678</u>	<u>3,777</u>
Disbursements:		
Public safety	618	597
Public works	580	669
Culture and recreation	848	770
Community and economic development	255	131
General government	271	266
Debt service	582	702
Capital projects	15	923
Total disbursements	<u>3,169</u>	<u>4,058</u>
Change in cash basis net position before transfers	509	(281)
Transfers, net	<u>12</u>	<u>12</u>
Change in cash basis net position	521	(269)
Cash basis net position beginning of year	<u>2,800</u>	<u>3,069</u>
Cash basis net position end of year	<u>\$ 3,321</u>	<u>\$ 2,800</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 2.6%, or approximately \$99,000. The total cost of all programs and services decreased approximately \$889,000, or 21.9%. Increased revenues were derived from additional Local Option Sales Tax, Road Use Tax and Hotel/Motel and TIF receipts. Expenditure decrease is due to no new Capital Projects in Fiscal Year 2015.

The cost of all governmental activities this year was \$3.169 million compared to \$4.058 million last year. However, as shown in the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$2.237 million because some of the cost was paid by those who directly benefited from the programs (\$202,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$730,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2015 from approximately \$1,240,000 to approximately \$932,000. The City paid for the remaining "public benefit" portion of governmental activities (\$2,237,077) with taxes (some of which could only be used for certain programs), with Local Option tax, Hotel/Motel taxes and other general revenues.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 531	\$ 430
Sewer	2,131	501
Solid waste	140	139
Operating grants, contributions and restricted interest	7	14
Capital grants, contributions and restricted interest	500	
General receipts:		
Unrestricted interest on investments	10	9
Total receipts	<u>3,319</u>	<u>1,093</u>
Disbursements:		
Water	246	317
Sewer	2,298	401
Solid waste	123	121
Total disbursements	<u>2,667</u>	<u>839</u>
Change in cash basis net position before transfers	652	254
Transfers, net	<u>(12)</u>	<u>(12)</u>
Change in cash basis net position	640	242
Cash basis net position beginning of year	<u>1,523</u>	<u>1,281</u>
Cash basis net position end of year	<u>\$ 2,163</u>	<u>\$ 1,523</u>

Total business type activities receipts for the fiscal year were approximately \$3.319 million compared to approximately \$1.093 million last year. The cash balance increased by approximately \$640,000 from the prior year. Total disbursements for the fiscal year increased by 217.87% to a total of approximately \$2,667,000. The City received and passed through to Mitchell County, a \$500,000 grant from Iowa Economic Development Authority for expansion of the City's Wastewater Treatment facility as part of the infrastructure needed for the Valent BioSciences Plant. The City also began operating the Wastewater Pretreatment plant on Valent campus in July 2014. The operating expenses for the Facility were \$1.33 million and the revenues were \$1.34 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Osage completed the year, its governmental funds reported a combined fund balance of \$3,320,802, an increase of \$520,915 over last year's total of \$2,799,887. The following are the primary reasons for the changes in the major fund balances from the prior year.

- The General Fund cash balance increased \$63,418 from the prior year to \$814,087. The increase can be attributed to actual expenditures being below budget while revenues were very close to projections.
- Road Use Tax Fund cash balance increased \$45,187 to \$374,837. The increase in the Iowa Motor Vehicle fuel tax began to impact the Road Use Tax revenue late in the fiscal year.
- Tax Increment Financing Fund cash balance increased \$26,962 to \$476,074.
- The Debt Service Fund cash balance decreased \$2,637 to \$309,501.
- The Capital Project Fund cash balance increased \$251,694 to \$228,913. This increase is due to use of the Local Option Sales tax receipts to eliminate the prior year's deficit balance in the 2013 Street Project fund and close the project fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$296,664 to \$1,243,383, due to increased revenue and no capital equipment, construction or major maintenance and repair costs during the year.
- The Sewer Fund cash balance increased \$336,685 to \$824,725, primarily due to increased revenues.
- The Solid Waste Fund cash balance increased \$5,480 to \$95,288. Monthly fees charged to residents to allow the City to set aside funds to support City-wide cleanup to be done every 2-3 years.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2015 and resulted in an increase in operating disbursements related to expenditures for tree removal, road maintenance, Maple Trail, basketball court, startup of the Wastewater Pretreatment operation for Valent and the beginning of CDBG Downtown Façade Project. The amendment also reflects an increase in Hotel/Motel receipts which made additional funds available for tourism advertising.

The City's receipts were \$163,853 more than budgeted.

Total disbursements were \$608,616 less than the amended budget. This was due to fewer Main Street and Commercial loans, and delays in work on the next phase of Maple Trail. The first year of operation of the Wastewater Pretreatment plant proved to be challenging. The budget was amended to accommodate fluctuations in the need for supplies, chemicals, and equipment at the facility. Actual costs for salaries and benefits were below budget.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$4,990,000 in bonds and other long-term debt, compared to approximately \$5,326,000 last year, as shown on following page:

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation notes	\$ 1,775	\$ 1,896
Revenue bonds	3,215	3,430
Total	<u>\$ 4,990</u>	<u>\$ 5,326</u>

The City has carried a general obligation bond rating, with an A1 from Moody's in 2012, and an A from Standard & Poor's in 2012 to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,775,000 is significantly below its constitutional debt limit of \$8.52 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Osage's elected and appointed officials consider many factors when setting the fiscal year budget, tax rates and fees. Property taxes and service fees provide 59% of the revenues necessary to provide services to the citizens of Osage.

The City property tax levy rate for fiscal year 2016 will increase from \$12.88 to \$12.93. City-wide, the taxable valuation of properties has increased in each of the past nine years. The growth allows the city to continue to provide a high level of services to our citizens and maintain and improve City facilities. Tax Increment Financing Districts continue to produce revenue to fund economic development activities and debt service payments for the Pool/CRC project and Public Safety Building. Local Option Tax revenues are used to reduce property tax asking and provide funding for street improvements. Hotel/Motel taxes provide supplemental funds for Recreation, Tourism, and other community enhancements. Water and Sewer usage rates remain unchanged.

In April of 2011, Valent Biosciences Corporation announced plans to invest \$150 million in a new manufacturing facility in Mitchell County, adjacent to the Osage City limits. The company began operation in the spring of 2014 adding 90 jobs in the community. The City has been operating the Wastewater pretreatment plant on the Valent campus since July 2014. The Osage Co-op Elevator is undertaking a \$7.3 million dollar facility expansion, just outside Osage's corporate limits. The City's property tax base will not increase, but the investment shows the strength of the local agricultural economy.

The City was successful in application for \$500,000 Community Development Block Grant (CDBG) for downtown Building Façade Project. The building owners and City will contribute toward the nearly \$1 million dollar project to rehabilitate 14 downtown buildings. The City also plans to apply for CDBG funding for Phase I of a three phase Sanitary Sewer lining project with the goal of slip lining and repairing all sanitary sewer mains and manholes in the entire community. Plans are also beginning for a Crack and Seal Street Repair Project in 2016.

The residents of Osage continue to be impacted by state, national and international economic issues. Local employment remains stable. Four new homes are under construction. Main Street business buildings are occupied by a variety of retail and service providers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathy Penney, City Clerk, 806 Main Street, City of Osage, Iowa.

City of Osage

City of Osage

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 617,905	14,032	11,629	2,850
Public works	579,897	77,787	376,313	-
Health and social services	-	-	-	-
Culture and recreation	847,478	82,930	287,990	1,357
Community and economic development	254,814	520	18,750	-
General government	271,193	26,603	-	-
Debt service	582,412	-	30,918	-
Capital projects	15,057	-	-	-
Total governmental activities	3,168,756	201,872	725,600	4,207
Business type activities:				
Water	245,589	530,963	5,229	-
Sewer	2,298,413	2,130,491	1,504	500,117
Solid waste	122,518	139,494	-	-
Total business type activities	2,666,520	2,800,948	6,733	500,117
Total	\$ 5,835,276	3,002,820	732,333	504,324

General Receipts:

Property tax and other city tax levied for:
 General purposes
Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purposes
Unrestricted interest on investments
Miscellaneous
Sale of capital assets
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

 Nonexpendable:
 Cemetery Perpetual Care

 Expendable:
 Streets
 Urban renewal purposes
 Debt Service
 Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (589,394)	-	\$ (589,394)
(125,797)	-	(125,797)
-	-	-
(475,201)	-	(475,201)
(235,544)	-	(235,544)
(244,590)	-	(244,590)
(551,494)	-	(551,494)
(15,057)	-	(15,057)
(2,237,077)	-	(2,237,077)
-	290,603	290,603
-	333,699	333,699
-	16,976	16,976
-	641,278	641,278
(2,237,077)	641,278	\$ (1,595,799)
\$ 1,265,076	-	\$ 1,265,076
707,682	-	707,682
340,676	-	340,676
234,996	-	234,996
57,093	9,551	66,644
140,469	-	140,469
-	-	-
12,000	(12,000)	-
2,757,992	(2,449)	2,755,543
520,915	638,829	1,159,744
2,799,887	1,524,567	4,324,454
\$ 3,320,802	2,163,396	\$ 5,484,198
\$ 113,630	-	\$ 113,630
374,837	-	374,837
3,565	-	3,565
472,509	-	472,509
114,248	-	114,248
2,242,013	2,163,396	4,405,409
\$ 3,320,802	2,163,396	\$ 5,484,198

City of Osage

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

		Special Revenue		
		Road	Tax	
		Use	Increment	Debt
	General	Tax	Financing	Service
Receipts:				
Property tax	\$ 773,377	-	-	-
Tax increment financing	-	-	707,682	-
Other city tax	41,741	-	-	-
Licenses and permits	9,010	-	-	-
Use of money and property	22,515	-	3,100	1,850
Intergovernmental	200,480	376,313	-	30,919
Charges for service	90,777	-	-	-
Special assessments	8,654	-	-	-
Miscellaneous	354,193	-	65,000	-
Total receipts	1,500,747	376,313	775,782	32,769
Disbursements:				
Operating:				
Public safety	615,717	-	-	-
Public works	248,771	331,126	-	-
Health and social services	-	-	-	-
Culture and recreation	731,463	-	86,500	-
Community and economic development	129,352	-	115,314	-
General government	261,585	-	-	-
Debt service	-	-	362,984	219,428
Capital projects	-	-	-	-
Total disbursements	1,986,888	331,126	564,798	219,428
Excess (deficiency) of receipts over (under) disbursements	(486,141)	45,187	210,984	(186,659)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	600,337	-	-	184,022
Operating transfers out	(50,778)	-	(184,022)	-
Total other financing sources (uses)	549,559	-	(184,022)	184,022
Change in cash balances	63,418	45,187	26,962	(2,637)
Cash balances beginning of year	750,669	329,650	449,112	312,138
Cash balances end of year	814,087	374,837	476,074	309,501
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Urban Renewal purposes	-	-	3,565	-
Debt service	-	-	472,509	-
Streets	-	374,837	-	-
Other purposes	-	-	-	-
Committed	-	-	-	164,076
Assigned	-	-	-	145,425
Unassigned	814,087	-	-	-
Total cash basis fund balances	\$ 814,087	374,837	476,074	309,501

See notes to financial statements.

Exhibit B

Capital Projects	Nonmajor	Total
-	328,509	\$ 1,101,886
-	-	707,682
-	436,934	478,676
-	-	9,010
771	45,610	73,845
-	9,168	616,880
-	13,971	104,748
73,993	-	82,647
18,750	64,354	502,297
93,514	898,546	3,677,671
-	2,188	617,905
-	-	579,897
-	-	-
-	29,515	847,478
-	10,148	254,814
-	9,608	271,193
-	-	582,412
15,057	-	15,057
15,057	51,459	3,168,756
78,457	847,087	508,915
-	-	-
173,237	50,778	1,008,374
	(761,574)	(996,374)
173,237	(710,796)	12,000
251,694	136,291	520,915
(22,781)	981,099	2,799,887
228,913	1,117,390	\$ 3,320,802
-	113,630	\$ 113,630
-	-	3,565
-	-	472,509
-	-	374,837
12,530	101,719	114,249
-	-	164,076
-	485,438	630,863
216,383	416,603	1,447,073
228,913	1,117,390	\$ 3,320,802

City of Osage

City of Osage

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 530,963	2,130,491	139,494	\$ 2,800,948
Operating disbursements:				
Business type activities	245,589	2,298,413	122,518	2,666,520
Excess (deficiency) of operating receipts over (under) operating disbursements	285,374	(167,922)	16,976	134,428
Non-operating receipts (disbursements):				
Intergovernmental	-	500,117	-	500,117
Interest on investments	6,061	2,986	504	9,551
Miscellaneous	5,229	1,504	-	6,733
Net non-operating receipts (disbursements)	11,290	504,607	504	516,401
Excess (deficiency) of receipts over (under) disbursements	296,664	336,685	17,480	650,829
Other financing sources (uses):				
Transfers out	-	-	(12,000)	(12,000)
Total other financing sources (uses)	-	-	(12,000)	(12,000)
Change in cash balances	296,664	336,685	5,480	638,829
Cash balances beginning of year	946,719	488,040	89,808	1,524,567
Cash balances end of year	\$ 1,243,383	824,725	95,288	\$ 2,163,396
Cash Basis Fund Balances				
Unrestricted	\$ 1,243,383	824,725	95,288	\$ 2,163,396
Total cash basis fund balances	\$ 1,243,383	824,725	95,288	\$ 2,163,396

See notes to financial statements.

City of Osage

City of Osage

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Osage is a political subdivision of the State of Iowa located in Mitchell County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Osage has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Osage (the primary government) and exclude the City's component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Component Unit

Osage Municipal Utilities is a component unit of the City of Osage and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. A five-member board, appointed by the Mayor, governs the Utilities. The Utilities operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no known ongoing financial interest or responsibility by the participating governments except for Floyd-Mitchell-Chickasaw County Solid Waste Management Agency and Upper Cedar Watershed Management Improvement Authority (see Note 11 and 12). City officials are members of the following boards and commissions: Mitchell County Assessor's Conference Board, Mitchell County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency, Mitchell County Joint E911 Service Board, Floyd County Joint E911 Service Board, Cedar River Recreation and Fine Arts Complex, and Osage Community and Surrounding Areas Fire Service Agreement.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Cemetery Perpetual Care Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for projects related to the construction of capital assets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund is used to account for garbage collection services to the citizens of Osage.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City of Osage funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Cemetery Perp. Care	\$10,288	12,702	August 2019
TIF	<u>\$414,190</u>	<u>411,675</u>	September 2020
U.S. treasury securities	<u>\$424,478</u>	<u>\$424,377</u>	

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	126,000	91,343	240,000	138,055	366,000	229,398
2017	131,000	87,157	250,000	128,780	381,000	215,937
2018	131,000	82,407	275,000	119,405	406,000	201,812
2019	136,000	77,658	285,000	108,405	421,000	186,063
2020	136,000	72,307	310,000	96,720	446,000	169,027
2021-2025	575,000	271,013	1,855,000	264,950	2,430,000	535,963
2026-2029	540,000	85,620	-	-	540,000	85,620
Total	<u>\$ 1,775,000</u>	<u>\$ 767,505</u>	<u>3,215,000</u>	<u>856,315</u>	<u>\$ 4,990,000</u>	<u>\$ 1,623,820</u>

Urban Renewal Revenue Annual Appropriation Bonds

The City issued two urban renewal revenue annual appropriation bonds for a total of \$4,145,000 in September 2010 for the purpose of redeeming the Urban Renewal Revenue Annual Appropriation Capital Loan Notes, Series 2008 and to pay project expenses related to the Cedar River Complex in the urban renewal district. The bonds are payable solely out of the net revenues of the project area, including the tax increment revenue. Total principal and interest remaining on the bonds is \$4,071,315, payable through June 2025. For the current year principal/interest paid and total TIF receipts were \$362,984 and \$775,782, respectively.

(4) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month, that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability

payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$96,291.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions –

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$426,317. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.009075 percent, which was an increase of 0.001664 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$37,990, \$94,840 and \$97,317 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (Effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$875,519	\$359,913	(\$75,113)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses in the form of a high deductible plan. There are 20 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The City currently has 4 options available through their Wellmark policy. The most recent active member monthly premiums for the City and plan members are \$373.94 for single, \$765.84 for employee and spouse, \$707.87 for employee and child, and \$1,147.63 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$231,152.80 to pay the premiums of all employees and the City contributed \$27,759.62 to the employees HSA plans. The plan members eligible for benefits contributed \$61,247.60 to their HSA accounts.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory termination payments for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory termination payments payable to employees at June 30, 2015, is as follows:

Type of Benefit	Amount
Vacation	\$ 38,472
Compensatory	<u>7,320</u>
Total	<u>\$ 45,792</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. However, sick leave time is canceled if an employee leaves his or her employment with the City.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 313,253
	Emergency Levy	23,669
	Local Option Sales Tax	135,053
	Park and Recreation	66,579
	Police Special Project/DARE	3,360
	Hotel/Motel	24,883
	Library Building Equipment Materials	21,539
	Enterprise:	
	Solid Waste	12,000
		<u>\$ 600,336</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	184,022
		<u>\$ 184,022</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	173,237
		<u>\$ 173,237</u>
Special Revenue:		
Fire Truck	General	8,000
		<u>\$ 8,000</u>
Library Building Equipment Materials	General	42,778
		<u>\$ 42,778</u>
		<u>\$ 1,008,373</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,613.47 during the fiscal year ended June 30, 2015.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Component Unit

Osage Municipal Utilities is a component unit of the City of Osage. It is not included in this report. Following are the transactions between the City and the Utilities:

City paid to Utilities:	
Utilities	\$ 181,452
Billing services (bookkeeping)	18,785
Phone and internet	7,933
Rural Econ. Loan	37,080
Miscellaneous	2,165
Total	<u>\$ 247,415</u>

Utilities paid to City:	
Collections for water, sewer, and garbage	\$ 1,406,476
Donations in lieu of taxes	121,585
Pool Support Donations	150,000
Cable franchise fee	30,555
Miscellaneous	15,806
Total	<u>\$ 1,724,422</u>

(11) Floyd-Mitchell-Chickasaw Solid Waste Management Agency

The City, in conjunction with fourteen other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected or appointed representative of the governing body of each participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Osage may have an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2015, the City of Osage paid Jendro Sanitation \$114,024 for residential trash collection. The sanitation company is then responsible for paying all landfill fees for the City's share of the cost. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

(12) Upper Cedar Watershed Management Improvement Authority

The City, in conjunction with twenty four other municipalities, county governments, and Iowa soil and water conservation districts, entered into an agreement called the Upper Cedar Watershed Management Improvement Authority Agreement. The agreement was established for the primary purpose of providing the manner in which the parties shall cooperate with one another to successfully plan for and implement watershed improvements within the Iowa portion of the Upper Cedar Watershed.

(13) Economic Development

The City provided funds to Osage Manufacturing, Inc. (OMI), under the provisions of Chapter 15A of the Code of Iowa in the form of a loan with 2.5% to 5% interest, payable at \$741 of principal plus interest per month. The balance owed to the City at June 30, 2015 by OMI was \$55,554.

Under the Main Street Loan Program, the City provides funds to small businesses along Main Street, in accordance with the provisions of Chapter 15A of the Code of Iowa. The Main Street Loan Program is currently made up of thirteen loans with no interest. The balance of the loans at June 30, 2015 was \$88,900. Payments are to be made on January 10th or the anniversary date for the first four years in the amount of one tenth of the original issue. A balloon payment for the remaining balance is due on January 10th or the anniversary date of the fifth year.

The Commercial Loan Program expands on the Main Street Loan Program to include small business off of Main Street and outside the Tax Increment Financing District under provisions of Chapter 15A of the Code of Iowa. The Commercial Loan Program is currently made up of five loans with no interest and two loans with interest. The balance of these loans at June 30, 2015 was \$24,155 and payments are handled in the same manner as the Main Street Loans mentioned in the preceding paragraph.

In May of 2004, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate extends until June 30, 2016 and at no time shall exceed \$14,000 annually.

In August of 2011, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate shall begin on October 1, 2014 and extends until June 30, 2024 and at no time shall exceed \$26,000 annually.

In November of 2011, the City approved an agreement with Osage Hotel & Suites, LLC in connection with the company's development of a facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate begins on October 1, 2014 and extends until June 30, 2024 and at no time shall exceed \$45,000 annually.

In August of 2013, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of the Tax Increment received from the Minimum Improvements. The rebate begins on October 1, 2015 and extends until June 30, 2025 and at no time shall exceed \$5,500 annually.

In March of 2013, the City approved an agreement with Tower Properties LLC in connection with the company's proposal to purchase and to lease a vacant industrial building in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of payments by the City for five fiscal years or until total payments equal to \$52,500 have been made. The annual payments will be equal to 80% of Tax Increment received from the Project. If the property was purchased and leased by July 1, 2013 the first payment could begin on June 30, 2015 and at no time shall exceed \$10,500 annually.

In August of 2014, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of a facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate begins on October 1, 2017 and extends until June 30, 2027 and at no time shall exceed \$16,000 annually.

(14) Leases

The City leases tower space and property to U.S. Cellular, Osage Municipal Utilities and Verizon Wireless under three and five-year renewable operating leases. The City receives monthly payments of \$125, \$239 and \$859 from U.S. Cellular, Osage Municipal Utilities and Verizon Wireless, respectively. Under the terms of the current lease agreements, annual payments for each of the following three fiscal years are as follows:

2016	14,677
2017	14,452
2018	13,325
2019	3,021
2020	756

The Osage Public Library leases approximately 1,000 square feet of space to North Iowa Area Community College (NIACC) under a two-year renewable lease. The City of Osage received a payment of \$5,000 for the year of the two-year renewable lease in fiscal year 2015.

Total income from leases for fiscal year ending June 30, 2015 was \$5,000.

Also, the City leases the parking lot property from Mayer's Digging Company at the soccer field. The City pays \$1 per year for the property renewable annually.

(15) USDA Loan Guarantee

On June 9, 2000, the Osage Community Daycare received \$200,000 in note proceeds under United States Department of Agriculture (USDA) Notes. The proceeds were received from two separate \$100,000 notes. The notes are not a general obligation of the City but are payable solely and only from pledges of private funds to be donated to the Osage Community Daycare. The notes bear interest at 5.00% and 4.75% per year, respectively. Interest and principal is paid monthly beginning on July 9, 2002 and each month thereafter until maturity. Monthly interest and principal payments of \$491 and \$475, respectively, are due until maturity on May 9, 2040. The City has guaranteed to pay from its General Fund, up to \$200,000 of the principal amount if revenues from the Osage Community Daycare are not sufficient to make such payment. The Osage Community Daycare was current on their payments as of June 30, 2015.

(16) Commitments

As of June 30, 2015, the City had the following commitments with respect to the following project:

	Remaining <u>Commitment</u>	Expected Date <u>of Completion</u>
Sanitary Sewer Extension	\$ <u>105,005</u>	October 2015
Total	\$ <u>105,005</u>	

(17) Partial Self Funded Insurance

The City pays 100% of the employee's premium. The City now offers High Deductible Insurance with HSA. For the period ending June 30, 2015 the City had twenty employees on the high deductible health insurance plan. The City contributes to the employees HSA in the amount of \$70 for single and \$140 for family. Employees are responsible for their deductibles and all out of pocket medical expenses.

(18) Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 31, 2015.

City of Osage

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,101,886	-	-
Tax increment financing	707,682	-	-
Other city tax	478,676	-	-
Licenses and permits	9,010	-	-
Use of money and property	73,845	9,551	-
Intergovernmental	616,880	500,117	-
Charges for service	104,748	2,800,948	1,000
Special assessments	82,647	-	-
Miscellaneous	502,297	6,733	1,905
Total receipts	<u>3,677,671</u>	<u>3,317,349</u>	<u>2,905</u>
Disbursements:			
Public safety	617,905	-	-
Public works	579,897	-	-
Health and Social Services	-	-	-
Culture and recreation	818,063	-	-
Community and economic development	284,229	-	-
General government	271,193	-	-
Debt service	582,412	-	-
Capital projects	15,057	-	-
Business type activities	-	2,666,520	-
Total disbursements	<u>3,168,756</u>	<u>2,666,520</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	508,915	650,829	2,905
Other financing sources (uses), net	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	520,915	638,829	2,905
Balances beginning of year	<u>2,799,887</u>	<u>1,524,567</u>	<u>110,725</u>
Balances end of year	<u><u>\$ 3,320,802</u></u>	<u><u>2,163,396</u></u>	<u><u>113,630</u></u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 1,101,886	1,102,789	1,102,789	\$ (903)
707,682	685,000	705,000	2,682
478,676	392,428	472,428	6,248
9,010	7,800	7,800	1,210
83,396	40,820	91,370	(7,974)
1,116,997	1,113,882	1,191,229	(74,232)
2,904,696	2,495,700	2,754,945	149,751
82,647	76,125	82,051	596
507,125	451,100	420,650	86,475
6,992,115	6,365,644	6,828,262	163,853
617,905	725,748	677,248	59,343
579,897	675,195	698,230	118,333
-	2,000	-	-
818,063	807,816	820,485	2,422
284,229	307,667	458,232	174,003
271,193	273,580	297,580	26,387
582,412	581,877	582,877	465
15,057	20,000	40,000	24,943
2,666,520	2,819,240	2,869,240	202,720
5,835,276	6,213,123	6,443,892	608,616
1,156,839	152,521	384,370	772,469
-	8,900	8,900	(8,900)
1,156,839	161,421	393,270	763,569
4,213,729	3,610,275	4,324,454	(110,725)
\$ 5,370,568	3,771,696	4,717,724	\$ 652,844

Other Information

City of Osage

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$230,769 and increased budgeted receipts by \$462,618. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

Other Information

City of Osage
Schedule of the City's Proportionate Share of the Net Position Liability

Iowa Public Employees' Retirement System
June 30, 2015
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the Net Pension Liability.	0.009075
City's proportionate share of the Net Pension Liability	\$360
City's covered-employee payroll	\$1,098
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.	32.79%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

- The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Osage
Schedule of City Contributions

Iowa Public Employees' Retirement System
June 30, 2015
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 96	\$ 90	\$ 86	\$ 78
Contributions in relation to the statutorily required contribution	<u>\$ (96)</u>	<u>\$ (90)</u>	<u>\$ (86)</u>	<u>\$ (78)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,098	\$ 1,037	\$ 1,014	\$ 1,004
Contributions as a percentage of covered-employee payroll	8.74%	8.68%	8.48%	7.77%

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

	2011	2010	2009
Statutorily required contribution	\$ 70	\$ 68	\$ 65
Contributions in relation to the statutorily required contribution	\$ (70)	\$ (68)	\$ (65)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 962	\$ 989	\$ 978
Contributions as a percentage of covered-employee payroll	7.28%	6.88%	6.65%

Other Information

City of Osage

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits were lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate close 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study.

- Adjusted retiree monthly assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Osage

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue				
	Local Option Sales Tax	Forfeited Property	Employee Benefits	Emergency Levy	Hotel/Motel
Receipts:					
Property Tax	\$ -	-	305,430	23,079	-
Other City Tax	340,676	-	839	63	95,356
Use of Money & Property	1,664	22	-	-	598
Intergovernmental	-	-	6,984	527	-
Charges for Service	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>342,340</u>	<u>22</u>	<u>313,253</u>	<u>23,669</u>	<u>95,954</u>
Disbursements:					
Operating					
Public Safety	-	-	-	-	2,000
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	100
Community and economic development	-	-	-	-	29,515
General government	-	-	-	-	9,608
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,223</u>
Excess (deficiency) of receipts over (under) disbursements	<u>342,340</u>	<u>22</u>	<u>313,253</u>	<u>23,669</u>	<u>54,731</u>
Other Financing Sources (uses)					
Operating Transfers in	-	-	-	-	-
Operating Transfers out	(308,290)	-	(313,253)	(23,669)	(24,883)
Total other financing sources (uses)	<u>(308,290)</u>	<u>-</u>	<u>(313,253)</u>	<u>(23,669)</u>	<u>(24,883)</u>
Change in cash balances	34,050	22	-	-	29,848
Cash balances beginning of year	269,103	6,091	-	-	90,430
Cash balances end of year	<u>\$ 303,153</u>	<u>6,113</u>	<u>-</u>	<u>-</u>	<u>120,278</u>
Cash Basis Fund Balances					
Nonspendable	\$ -	-	-	-	-
Restricted for:					
Other purposes	-	6,113	-	-	6,828
Assigned	-	-	-	-	-
Un-Assigned	303,153	-	-	-	113,450
Total cash basis fund balances	<u>\$ 303,153</u>	<u>6,113</u>	<u>-</u>	<u>-</u>	<u>120,278</u>

See accompanying independent auditor's report.

				Special
	Parks and Recreation	Commercial Loan	Library Building Equipment Materials	Main Street Loan
Receipts:				
Property Tax	-	-	-	-
Other City Tax	-	-	-	-
Use of Money & Property	578	22,088	5,762	13,893
Intergovernmental	1,357	-	-	-
Charges for Service	12,971	-	-	-
Miscellaneous	49,829	-	10,000	-
Total receipts	64,735	22,088	15,762	13,893
Disbursements:				
Operating				
Public Safety	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	48	-	10,000
General government	-	-	-	-
Total disbursements	-	48	-	10,000
Excess (deficiency) of receipts over (under) disbursements	64,735	22,040	15,762	3,893
Other Financing Sources (uses)				
Operating Transfers in	-	-	42,778	-
Operating Transfers out	(66,579)	-	(21,539)	-
Total other financing sources (uses)	(66,579)	-	21,239	-
Change in cash balances	(1,844)	22,040	37,001	3,893
Cash balances beginning of year	108,513	58,780	109,765	61,836
Cash balances end of year	106,669	80,820	146,766	65,729
Cash Basis Fund Balances				
Nonspendable	-	-	-	-
Restricted for:				
Other purposes	23,049	-	-	65,729
Assigned	83,620	80,820	146,766	-
Unassigned	-	-	-	-
Total cash basis fund balances	106,669	80,820	146,766	65,729

Schedule 1 Con't

Revenue		Permanent	
Police Special Project /DARE	Fire Truck	Cemetery Perpetual Care	Total
-	-	-	\$ 328,509
-	-	-	436,934
51	954	-	45,610
300	-	-	9,168
-	-	1,000	13,971
2,420	200	1,905	64,354
2,771	1,154	2,905	898,546
-	188	-	2,188
-	-	-	-
-	-	-	100
-	-	-	39,563
-	-	-	9,608
-	188	-	51,459
2,771	966	2,905	847,087
-	8,000	-	50,778
(3,361)	-	-	(761,574)
(3,361)	8,000	-	(710,796)
(590)	8,966	2,905	136,291
7,595	158,261	110,725	981,099
7,005	167,227	113,630	\$ 1,117,390
-	-	113,630	\$ 113,630
-	-	-	\$ 101,719
7,005	167,227	-	\$ 485,438
-	-	-	416,603
7,005	167,227	113,630	\$ 1,117,390

City of Osage
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
2009 BAB G.O. Capital Loan Notes	07/01/09	2.80-6.20%	2,010,000
2010 REDLG Public Safety	08/06/10	0.00%	360,000
Total			
Revenue bonds:			
2010A Urban Renewal Revenue Annual Appropriation	09/01/10	1.00-4.70%	3,770,000
2010B Urban Renewal Revenue Annual Appropriation	09/01/10	4.75%	375,000
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
1,680,000	-	85,000	1,595,000	95,295	-
216,000	-	36,000	180,000	-	-
<u>1,896,000</u>	<u>-</u>	<u>121,000</u>	<u>\$ 1,775,000</u>	<u>\$ 95,295</u>	<u>-</u>
3,295,000	-	150,000	3,145,000	139,605	-
135,000	-	65,000	70,000	6,413	-
<u>3,430,000</u>	<u>-</u>	<u>215,000</u>	<u>\$ 3,215,000</u>	<u>\$ 146,018</u>	<u>-</u>

City of Osage

City of Osage

Bond and Note Maturities

June 30, 2015

General Obligation Notes					
Year Ending June 30,	2009BAB G.O. Capital Loan Notes		2010 REDLG Public Safety		Total
	Issued Jul 1, 2009		Issued Aug 6, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2016	4.65	90,000	0.00	36,000	126,000
2017	5.00	95,000	0.00	36,000	131,000
2018	5.00	95,000	0.00	36,000	131,000
2019	5.35	100,000	0.00	36,000	136,000
2020	5.35	100,000	0.00	36,000	136,000
2021	5.75	105,000		-	105,000
2022	5.75	110,000		-	110,000
2023	5.90	115,000		-	115,000
2024	5.90	120,000		-	120,000
2025	6.00	125,000		-	125,000
2026	6.00	125,000		-	125,000
2027	6.20	130,000		-	130,000
2028	6.20	140,000		-	140,000
2029	6.20	145,000		-	145,000
Total		<u>\$ 1,595,000</u>		<u>\$ 180,000</u>	<u>\$ 1,775,000</u>
Revenue Bonds					
Year Ending June 30,	2010A Urban Renewal		2010B Urban Renewal		Total
	Revenue Annual		Revenue Annual		
	Appropriation		Appropriation		
	Issued Sep 1, 2010		Issued Sep 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2016	3.50	170,000	4.75	70,000	240,000
2017	3.75	250,000		-	250,000
2018	4.00	275,000		-	275,000
2019	4.10	285,000		-	285,000
2020	4.20	310,000		-	310,000
2021	4.30	330,000		-	330,000
2022	4.40	345,000		-	345,000
2023	4.50	365,000		-	365,000
2024	4.60	400,000		-	400,000
2025	4.70	415,000		-	415,000
Total		<u>\$ 3,145,000</u>		<u>\$ 70,000</u>	<u>\$ 3,215,000</u>

See accompanying independent auditor's report.

City of Osage

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 1,101,886	\$ 1,066,350	1,052,627	975,652
Tax increment financing	707,682	546,787	598,705	590,639
Other city tax	478,676	459,840	399,970	362,729
Licenses and permits	9,010	8,393	9,184	7,979
Use of money and property	73,845	68,377	93,830	50,892
Intergovernmental	616,880	568,248	557,739	516,672
Charges for service	104,748	120,926	127,513	126,352
Special assessments	82,647	412,790	63,780	69,584
Miscellaneous	502,297	522,126	519,807	530,853
Total	<u>\$ 3,677,671</u>	<u>3,773,837</u>	<u>3,423,155</u>	<u>3,231,352</u>
Disbursements:				
Operating:				
Public safety	\$ 617,905	\$ 597,299	620,857	980,618
Public works	579,897	668,895	561,351	668,607
Health and social services	-	40	363	717
Culture and recreation	818,063	770,065	759,390	693,260
Community and econ. development	284,229	131,327	235,672	236,150
General government	271,193	265,748	280,446	308,360
Debt service	582,412	701,883	690,123	1,444,619
Capital projects	15,057	923,384	95,422	3,323
Total	<u>\$ 3,168,756</u>	<u>4,058,641</u>	<u>3,243,624</u>	<u>4,335,654</u>

See accompanying independent auditor's report.

Schedule 4

2011	2010	2009	2008	2007	2006
910,338	862,795	839,252	816,163	986,053	948,134
589,220	546,172	522,457	504,941	474,680	433,742
339,082	373,545	338,849	351,569	281,002	245,649
8,049	5,989	4,596	8,414	6,424	6,245
79,327	107,632	170,001	163,946	130,831	111,443
470,221	737,768	1,667,691	636,485	405,980	432,009
100,715	55,769	54,749	61,844	62,590	62,099
264,414	136,036	372,699	77,316	302,380	60,104
775,559	337,540	223,881	188,078	153,387	182,660
<u>3,536,925</u>	<u>3,163,246</u>	<u>4,194,175</u>	<u>2,808,756</u>	<u>2,803,327</u>	<u>2,482,085</u>
544,783	541,641	539,751	601,197	439,691	451,189
532,216	579,328	469,604	508,426	399,694	351,946
-	-	-	-	-	-
631,683	426,520	418,306	481,000	422,427	413,221
297,984	585,756	1,424,797	616,383	368,506	125,515
271,159	246,146	223,844	238,329	217,936	257,076
3,688,210	633,140	453,268	138,241	539,631	431,218
1,565,687	2,258,179	3,774,284	569,203	285,069	580,557
<u>7,531,722</u>	<u>5,270,710</u>	<u>7,303,854</u>	<u>3,152,779</u>	<u>2,672,954</u>	<u>2,610,722</u>

City of Osage

MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

WWW.OSAGECPA.COM

625 MAIN ST., OSAGE, IA 50461

322 MAIN ST., NASHUA, IA 50658

802B WOODLAND AVE, RICEVILLE, IA 50466

P. 641-732-5841

P. 641-435-4615

P. 641-985-2621

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Governmental Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Osage's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Osage's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Osage's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of City of Osage's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do not consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Osage's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Osage's Responses to Findings

The City of Osage's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Osage's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Osage during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Murphy, Smith & Co. PLLC
Certified Public Accountants
Osage, Iowa
October 31, 2015

City of Osage
Schedule of Findings
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the primary government financial statements.

City of Osage

Schedule of Findings

Year ended June 30, 2015

Part II: Findings Related to the Primary Government Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Osage
Schedule of Findings
Year ended June 30, 2015

Part III: Other Findings Related to Statutory Reporting:

- III-A-15 Certified Budget – Disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.
- III-B-15 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Adams, Council Member, Brother is owner of Adams Plumbing and Heating	Maintenance, parts and labor	\$ 704
Steven Cooper, Mayor, Son is Co-Owner of Coopers Auto	Parts and labor	1,909

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- III-H-15 Revenue Bonds – No instances of non-compliance with the revenue bonds resolutions were noted.

City of Osage

Schedule of Findings

Year ended June 30, 2015

III-I-15 Telecommunications Utility – Osage Municipal Utilities, a component unit of the City, has been audited separately and its financial statements are under a separate cover. The report dated September 16, 2015 indicated that no instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

III-J-15 Depository Resolution – As of June 30, 2015, the City did not add the new bank account to the Depository Resolution.

Recommendation – The City should add all new bank accounts to the Depository Resolution when opened.

Response – We will do so.

Conclusion – Response accepted.